

Message Text

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ORIGIN EB-07

INFO OCT-01 EA-07 NEA-10 ISO-00 AID-05 AGRE-00 TRSE-00

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FM SECSTATE WASHDC

TO AMEMBASSY JAKARTA PRIORITY

AMEMBASSY KUALA LUMPUR

AMEMBASSY SINGAPORE

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E.O. 11652:N/A

TAGS: EAID, EAGR

SUBJECT: PROPOSED PL 480 TITLE I SALE OF EDIBLE VEGETABLE

-- OIL - PAKISTAN

1. YOU SHOULD CONSULT HOST GOVERNMENT OFFICIALS ON USG
PROPOSED PL 480 TITLE I PROGRAM FOR PAKISTAN OF 70,000
METRIC TONS OF EDIBLE VEGETABLE OIL WORTH DOLS. 37 MILLION,
IN US FISCAL YEAR 1977. VEGETABLE OIL WILL BE PROVIDED ON
CONVERTIBLE LOCAL CURRENCY CREDIT TERMS REPAYABLE IN 31
APPROXIMATELY EQUAL INSTALLMENTS. THERE WILL BE A GRACE
PERIOD OF TEN YEARS. THE INITIAL PAYMENT WILL BE FIVE
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PERCENT. INTEREST WILL BE TWO PERCENT DURING THE GRACE

PERIOD AND 3 PERCENT THEREAFTER.

2. EXPORTS BY PAKISTAN OF ANY VEGETABLE OILS OR SEEDS FROM WHICH EDIBLE OILS CAN BE PRODUCED WILL NOT BE PERMITTED DURING THE SUPPLY PERIOD.

3. THE PROPOSED USUAL MARKETING REQUIREMENT FOR VEGETABLE OIL FOR EDIBLE USES WILL BE 128,000 METRIC TONS (LAST YEAR'S UMR WAS 83,000 TONS) OF WHICH AT LEAST 40,000 MUST COME FROM THE UNITED STATES. WE BELIEVE THIS UMR FIGURE WILL GIVE ADEQUATE PROTECTION TO THE EDIBLE VEGETABLE OIL EXPORTS TO PAKISTAN OF THE THREE ADDRESSEE

NATIONS. FOLLOWING ARE OUR FIGURES FOR PAKISTANI EDIBLE VEGETABLE OIL COMMERCIAL IMPORTS, EXPRESSED IN 1,000 METRIC TONS, FOR JULY/JUNE YEARS, 1972 THROUGH 1976 (TOTAL GOP OIL IMPORTS MAY BE HIGHER TO COVER INDUSTRIAL AND OTHER NON-EDIBLE USES. US SOYBEAN OIL IS USED SOLELY FOR HUMAN CONSUMPTION IN PAKISTAN AND HENCE WOULD NOT BE IN COMPETITION WITH THAT PORTION OF PALM OIL IMPORTS USED IN THE INDUSTRIAL SECTOR):

-- PAKISTAN: COMMERCIAL VEGETABLE OIL IMPORTS
 -- -- FOR EDIBLE USES
 -- -- JULY/JUNE 1972 THROUGH 1976
 -- -- (IN 1,000 METRIC TONS)

-- -- -- 1972 1973 1974 1975 1976

SOYBEAN OIL - - 84 23 124 35 91
 (BRAZIL AND US)

PALM OIL - - - 3 1 27 129 106
 (INDONESIA, MALAYSIA,
 SINGAPORE)

OTHER - - - 2 6 7 2 -

TOTAL COMMERCIAL - 89 30 158 166 197
 OF WHICH US - - 34 23 43 29 72
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GLOBAL
 FIVE-YEAR TOTAL: 640
 FIVE-YEAR AVERAGE: 128

US
 FIVE-YEAR TOTAL: 201
 FIVE-YEAR AVERAGE: 40.2

4. YOU MAY ASSURE GOVERNMENTS THAT USG HAS THEIR CONCERNS VERY MUCH IN MIND WHEN PLANNING SUCH PROGRAMS AND ESTABLISHING UMRS. WE BELIEVE ABOVE FIGURES REFLECT FACT THAT DESPITE EXISTENCE OF US PL 480 PROGRAM PAKISTAN'S COMMERCIAL IMPORTS OF EDIBLE VEGETABLE OIL HAVE VASTLY INCREASED DURING LAST FIVE YEARS. WE ANTICIPATE THE GAP BETWEEN PAKISTAN DOMESTIC PRODUCTION AND CONSUMPTION OF VEGETABLE OILS WILL CONTINUE TO GROW OVER THE NEXT SEVERAL YEARS, AND THAT IT WILL BE NECESSARY TO FILL THIS GAP THROUGH BOTH COMMERCIAL AND CONCESSIONAL FINANCING. PAKISTAN IS ONE OF THE COUNTRIES MOST SERIOUSLY AFFECTED BY THE INCREASE IN WORLD PRICES, ESPECIALLY OF

OIL AND PETROLEUM PRODUCTS. PAKISTAN FACES AN INCREASINGLY SERIOUS BALANCE OF PAYMENTS PROBLEM WHICH IS GREATLY AGGRAVATED BY ITS EFFORTS TO CARRY OUT A BROAD BASED ACCELERATED DEVELOPMENT PROGRAM.

5. YOU MAY ALSO WISH TO NOTE THAT PAKISTAN IMPORTS OF VEGETABLE OILS FOR INDUSTRIAL USES ARE EXPECTED TO INCREASE THIS YEAR SINCE CONCESSIONALLY-FINANCED INEDIBLE TALLOW IS NO LONGER AVAILABLE TO PAKISTAN.

6. ANY COMMENTS ON THIS PROPOSED TRANSACTION SHOULD BE RECEIVED NO LATER THAN MONDAY, NOVEMBER 22. KISSINGER

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